



Federal Communications Commission
Washington, D.C. 20554
SEP 28 1998

ORIGINAL

Division
98-05266
cc. SKT 16.4

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

The Honorable Christopher Shays
Member, U.S. House of Representatives
10 Middle Street
Bridgeport, CT 06604

Dear Congressman Shays:

Thank you for your letter forwarding the concerns of your constituent, Mr. Philip Farin, regarding the "Federal Universal Service", the "National Access Fee," and a "Payphone Access Fee" on his telephone bill. In your letter, you request a response to the concerns raised by your constituent.

First with respect to Mr. Farin's inquiry about the "Federal Universal Service", on May 7, 1997, the Commission adopted a First Report and Order to implement the Federal-State Joint Board's recommendations on universal service as required by the Telecommunications Act of 1996 (1996 Act). The Commission established universal service support mechanisms that fulfill Congress's goal, as stated in Section 254 of the 1996 Act, of ensuring that affordable, quality telecommunications services are available to all American consumers, including low income consumers and those located in high cost, rural, and insular areas. These mechanisms implement Congress's mandate to ensure the nation's classrooms and libraries receive access to the vast array of educational resources that are accessible through the telecommunications network. Universal service support provides discounts only for telecommunications services, internet access, and internal connections.

In the 1996 Act, Congress stated that all telecommunications carriers that provide interstate telecommunications services must contribute on an equitable and nondiscriminatory basis to universal service. The Commission implemented this statutory provision by requiring all telecommunications carriers to contribute to the universal service support mechanisms. Neither Congress, nor the Commission, require carriers to pass this contribution on to their customers. To the contrary, carriers decide how and to what extent they recover their contributions. Carriers, however, may not mislead customers as to how they recover contributions and may only recover an equitable share from any particular customer.

The Commission is monitoring the universal service support mechanisms and their impact on telephone ratepayers. This issue will be carefully reviewed as the support mechanisms are administered.

Because MCI is a long-distance provider, the "National Access Fee" appearing on your bill most likely accounts for the presubscribed interexchange carrier charge. The presubscribed interexchange carrier charge is a monthly fee assessed by the local telephone

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company on the long distance carrier to whom the line is presubscribed. This charge allows local telephone companies to recover part of the cost of the telephone line that links each telephone subscriber to the telephone network. For 1998, the presubscribed interexchange carrier charge to interexchange carriers is limited to \$0.53 for primary residential lines and single-line business lines, \$1.50 for non-primary residential lines, and \$2.75 for multi-line business lines.

We understand that different long distance companies recover the presubscribed interexchange carrier charge from their customers in different ways. The Commission allows, but does not require, long-distance companies to recover the presubscribed interexchange carrier charge from their customers. Accordingly, we encourage consumers to check with different providers to determine whether another carrier offers a more favorable calling plan.

Telephone company costs that are recovered through the presubscribed interexchange carrier charge previously were recovered through per-minute charges assessed to long distance companies and paid to local telephone companies. Consequently, telephone companies were required to reduce those per-minute charges concurrently with the introduction of the presubscribed interexchange carrier charge.

Finally, with respect to Mr. Farin's inquiry regarding the "Payphone Access Fee", Section 276 of the 1996 Act requires the Commission to establish a plan by which payphone providers receive "fair compensation" for all completed intrastate and interstate calls, including coinless 800 calls, that originate from their payphones. The Commission adopted orders in 1996 implementing the requirements of Section 276. In October 1997, after carefully considering public comment, the Commission adopted rules that require interexchange carriers to compensate payphone providers a default rate of 28.4 cents for each coinless 800 payphone call, unless the carrier and the provider have otherwise agreed to a different rate. Although not required by the Commission, some carriers have, in turn, passed this cost on to the 800 number subscribers receiving calls from payphones.

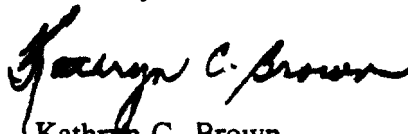
The 28.4-cent per-call default rate was adopted after extensive economic analysis of what payphone providers were due for each 800 call. The Commission concluded that the best measure of "fair compensation" for coinless calls would be to start with the local coin call rate of 35 cents, the rate in the majority of states that had deregulated local calls, and adjust for cost differences between coin and coinless calls. This calculation resulted in the per-call rate of \$.284. The Commission also conducted a "bottoms up" calculation by adding all the costs incurred in providing the service that further supported the reasonableness of this per-call rate.

On May 15, 1998, the Court of Appeals, however, remanded the Commission's decision establishing the default per-call rate of 28.4 cents. The court held that the Commission had not adequately explained the methodology used to develop the per-call rate. The Commission is currently evaluating this matter in light of the court's decision. In addition, eleven parties have filed petitions for reconsideration of the 28.4 cent per-call

compensation rate. We will include Mr. Farin's letter in the docket filed for consideration in this proceeding.

Again, thank you for your letter. Should Mr. Farin have any further questions regarding the universal service support mechanisms, he may contact the Common Carrier Bureau's Accounting Policy Division at (202) 418-7400. Should he have any further questions regarding the payphone compensation proceeding, he may contact the Common Carrier Bureau's Enforcement Division at (202) 418-0960. Should he have any further questions regarding the presubscribed interexchange carrier charge, he may contact the Common Carrier Bureau's Competitive Pricing Division at (202) 418-1520.

Sincerely,

A handwritten signature in black ink, appearing to read "Kathryn C. Brown". The signature is fluid and cursive, with the first name being the most prominent.

Kathryn C. Brown

Chief

Common Carrier Bureau



07/07/98 TUE 16:54 FAX 1 203 579 0771

CONGRESSMAN SHAYS

001



CONGRESS OF THE UNITED STATES

FAX COVER SHEET

Congressman Christopher Shays
10 Middle Street
Bridgeport, CT 06604
fax: 203/579-0771
phone #: 203/579-5870

*OCB
96-45
cc-TAX
5266*

Mark

*Please handle
this, or forward as
necessary, in my
absence.*

Date: July 7, 1998

TO: Mr. Jim Green, Deputy Director of
Legislative Affairs-- FCC

Fax #: 202/ 418-2806

Subject: constituent inquiry, Mr. Philip Farin,
Rollingwood Communications

Pages: 3 (including cover sheet)

From: Lynn Egan-Worgul, Caseworker

Congressman
Christopher Shays
Fourth District Connecticut

Offices

10 Middle Street, 11th Floor
Bridgeport, CT 06604-4223

Government Center
888 Washington Boulevard
Stamford, CT 06901-2927

1502 Longworth Building
Washington, DC 20515-0704

Telephones

Bridgeport 579-5870
Norwalk 866-6460
Stamford 557-8277
Washington, DC 202/225-5541

Jim: Following is an inquiry from Mr. Farin regarding an assortment of charges applied to his business telephone bill by MCI. While Mr. Farin has resolved this issue for his company by switching long distance service carriers, a question remains for him with regard to the justification for the surcharges he refers to in his letter.

Thank you for your assistance on this matter-

Lynn Egan-Worgul
Lynn Egan-Worgul

CONGRESSMAN
CHRISTOPHER SHAYS

Rolling Wood Communications, Inc.

47 Woodway Road - Unit #3
Stamford, CT 06907

IAN 23 1998
BRIDGEPORT CT

Phone: 203 329-8287

Fax: 203 968-0169

January 20, 1998

Congressman Christopher Shays
10 Middle Street - 11th Floor
Bridgeport, CT 06604

Dear Congressman Shays:

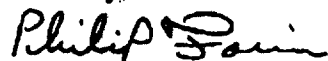
I run a very small marketing communications company in Stamford. I use two phone lines - one for calls and one for my fax. Late last week I received the attached monthly long-distance telephone bill from MCI. I noticed that my actual phone charges totaled \$79.70, but then I was taxed and surcharged to the tune of \$37.20, with \$22.87 of the total said to be a "National Access Fee," another \$4.24 called a "Federal Universal Service Fee," and \$2.70 specified a "Payphone Access Fee."

When I called MCI to inquire about these, I was told that this is the result of actions by the Federal Communications Commission. The note at the bottom of the page, which isn't very understandable, is what is purported to be the reason for the surcharge. I was further advised that the FCC is now allowing all long-distance carriers to charge a National Access Fee of 30% for long distance charges up to \$20 per month, 27% for up to \$99 per month and over 20% for more than \$100 per month. When I asked for further clarification I was given the FCC's complaint number. A call to that number (which I have written on the bill) yielded a voice message advising where and how complaints in general should be submitted. There was nothing specific about new surcharges.

I checked a friend's long-distance bill. He doesn't run a business but uses MCI for long distance. His bill of under \$20 had a \$1.07 National Access Fee, approximately 6%.

I find it difficult to believe such outrageous surcharges to small businesses have been approved by the government. I would appreciate your looking into this matter.

Sincerely,



Philip Farin

See other side

MCI One for Small Business Invoice

ROLLING WOOD COMMUNICATIONS
 PHILIP FARIN
 47 WOODWAY RD UNIT 3
 STAMFORD, CT 06907-1440

Invoice Date: 1/7/98
 Account Number: 08645157822
 Primary Telephone Number: (203) 329-8287
 Page 1 of 16

FOR 24 HOUR CUSTOMER SERVICE CALL

1-888-212-3090

Previous Balance	Payments and Credits	Disbursements	Remaining Balance	Current Charges	Total Amount Due	Due Date
\$154.56	\$154.56	\$.00	\$.00	\$121.90	\$121.90	*****

Do not remit payment for Total Amount Due.

Current Charges

Long Distance Service (MCI One for Small Business) \$ 84.70
 Taxes and Surcharges 37.20
 Total Current Charges \$121.90

Savings

At MCI, we're always looking for new ways to help your business save money. To find out how you can increase your savings, just call an MCI Customer Service Professional.

Great news for MCI One(R) Rebate customers-Get up-to-date, automated information on your 20% Cashback balance by dialing 1-800-247-5210. All you need is your 11 digit account number, located in the top right corner of your bill.

For Your Information

✓ Did you know you can get great rates on local toll calls too? And when MCI handles your local toll calls, they will conveniently appear on your monthly MCI invoice. It's an easy way to reduce your business expenses and paperwork. To switch your local toll service to MCI, simply call Customer Service today at the 800 number listed on your invoice.



Account Number	Total Amount Due	Due Date	Amount Enclosed
08645157822	\$121.90	*****	*****

Do not remit total amount due. Total amount due has been billed to Credit Card.

#BWNCCYR***** MIXED AADC 068
 #08645157822#
 58013 3 AB 0.875

ROLLING WOOD COMMUNICATIONS
 PHILIP FARIN
 47 WOODWAY RD UNIT 3
 STAMFORD, CT 06907-1440

MCI
 P.O. BOX 85053
 LOUISVILLE, KY 40285-5053

01 08645157822 000012190 010798 5



0004

ROLLING WOOD COMMUNICATIONS

INVOICE DATE: 1/7/98
ACCOUNT NUMBER: 08645157622

For 24 Hour Customer Service Call 1-800-272-3000

Invoice Summary

Invoice Summary

Customers in your spending level are automatically eligible to receive the MCI One for Small Business plan! Lowest rate of \$0.12 per minute for your domestic state-to-state direct dialed inbound and outbound calls.

PREVIOUS BALANCE

TOTAL PREVIOUS BALANCE \$154.56

PAYMENTS

Credit Card Payment 12/12/97 154.56 cr
TOTAL PAYMENTS \$154.56 cr

ADJUSTMENTS

TOTAL ADJUSTMENTS \$.00

REMAINING BALANCE

TOTAL REMAINING BALANCE \$.00

CURRENT CHARGES

LONG DISTANCE

Outbound Domestic Outbound 47.37
International Outbound .77
Domestic Fax 6.13
Total Outbound \$54.27
Calling Card Domestic Calling Card 17.64
Total Calling Card \$17.64
Toll Free Domestic Toll Free 18
One Number 7.61
Total Toll Free \$7.79
Total Long Distance \$79.70

OTHER CHARGES
Toll Free Monthly Fee 5.00
Total Other Charges \$5.00

TAXES AND SURCHARGES

Federal Taxes 2.64
State and Local Taxes 4.28
State and Local Surcharges .46
Texas Tel Infrastructure Fund Reimbursement .01
National Access Fee 22.87
Federal Universal Service Fee 4.24
Payphone Access Fee 2.70
Total Taxes and Surcharges \$37.20

TOTAL CURRENT CHARGES

\$121.90

TOTAL AMOUNT DUE

TOTAL AMOUNT DUE \$121.90

The Federal Communications Commission is now requiring MCI and all other long distance companies to pay a fee to the local phone companies based on the number of lines subscribed to each carrier for originating and terminating your long distance calls. As a result, MCI will pass along a subscriber fee to each usage customer.

Handwritten:
30%
20%
20%
FCC
202
632-7553
Laporta
Willie
at MCI